

# Industry Circular



## Internal Revenue Service

Alcohol, Tobacco and Firearms Division

Washington, D.C. 20224

December 31, 1970

Industry Circular No. 70-38

### RESTRICTIONS ON DELIVERIES OF TAX-EXEMPT TOBACCO PRODUCTS AS SHIPS' SUPPLIES

Manufacturers of tobacco products and  
proprietors of export warehouses:

This is to remind you that the regulations in 26 CFR 290.62 restrict deliveries of tax-exempt cigars and cigarettes as supplies to certain vessels.

Section 5704 of the Code provides an exemption from the tax in the case of tobacco products withdrawn for consumption beyond the jurisdiction of the internal revenue laws. Regulations in 26 CFR 290.62 which implement this provision of the Code set out the restrictions on deliveries of tax-exempt tobacco products to vessels as supplies. In substance, that section provides that such tobacco products may be delivered: to vessels actually engaged in foreign, intercoastal, or noncontiguous territory trade (i.e., vessels operating on a regular schedule in trade or actually transporting passengers and/or cargo between certain designated places); to vessels clearing through Customs for a port beyond the jurisdiction of the internal revenue laws; to vessels of war; and to United States vessels engaged in the fishing business and certain foreign fishing vessels.

Thus vessels which travel beyond the jurisdiction of the internal revenue laws but do not meet the requirements of 26 CFR 290.62, such as those performing oceanographic work or those operating along a single coast of the United States, are not authorized to lade tax-exempt tobacco products as supplies.

Any inquiries regarding this circular should be made to the office of your Assistant Regional Commissioner, Alcohol, Tobacco and Firearms.

Rex D. Davis, Acting Director  
Alcohol, Tobacco and Firearms Division